

MONTANA Matched Savings Programs

EXHIBIT

6

Matched Education Savings Account (MESA)

DATE

3-27-13

HB

595

- Tuition, fees and books at one of Montana's participating schools; household of one must have an annual income equal to or less than \$21,780. (For each additional household member, add \$7,640) or qualify for the federal Earned Income Tax Credit (EITC); Montana Credit Unions for Community Development

Rural Montana Saves

- Costs associated with attending college, university, vocational school, technical college, or job training; household of two must have an annual income equal to or less than \$29,420; Rural Economic Opportunities

Gallatin County Saves

- Costs associated with attending college, university, vocational school, technical college, or job training; household of two must have an annual income equal to or less than \$29,420; Career Transitions

Building Security through Assets and Financial Education (BSAFE)

- Higher Education, Purchase of a First Home, or Start a Small Business, a household of one must have an annual income equal to or less than \$22,340; Montana Credit Unions for Community Development

Helena Community Credit Union First-Time Homebuyer

- Purchase of a first home; household of one must have an annual income equal to or less than \$21,780. (For each additional household member, add \$7,640) or qualify for the federal Earned Income Tax Credit (EITC); Helena Community Credit Union

NeighborWorks First-Time Homebuyer

- Purchase of a first home, household of one must have an annual income equal to or less than \$22,340, (For each additional household member, add \$7,640), NeighborWorks Great Falls and NeighborWorks Montana

Gallatin County SAFE Program

- Achieving economic self-sufficiency; recent financial crisis from job loss, medical costs, change in family status of disaster, Rocky Mountain Credit Union, Sky Federal Credit Union

Saving for Tomorrow Program

- Matched savings program to help families and individuals save enough money for such things as buying a home, paying for post-secondary education or training, and starting or expanding a small business. District 7 Human Resources Development Council (HRDC) – Billings area.



Individual Development Accounts HB 595

Erika is a hard-working mom with two children, who came to NeighborWorks with the intention of becoming a homeowner to provide her kids with a stable home and provide for a future. She joined our Individual Development Account program, cleaned up her credit, attended financial education and saved for a down payment on a home. Erika tells her story of changing her route to work to avoid buying a morning latte and limiting family night outs to one per month. When Erika suggested only one McDonalds trip a month, her daughter said, "OK, but when we get a house, can I have a puppy?" Today, Erika is a successful homeowner, still saving money, this time for a fence, so indeed, her daughter can have a puppy.

Individual Development Accounts (IDAs) are special savings accounts that match the deposits of low- and moderate-income people. For every dollar saved in an IDA, savers receive a corresponding match which serves as both a reward and incentive to further the saving habit.

Savers complete financial education classes and use their savings for an asset-building purpose – typically for post-secondary education or job training, home purchase, or to capitalize a small business. In addition to earning match dollars, savers learn about budgeting, saving and receive additional training before purchasing an asset.

IDAs are offered through local nonprofit organizations. The IDA program sponsor recruits participants for the program, provides financial education classes, and provides additional training based on the participant's asset choice – homeownership education and counseling, small business training, or guidance on choosing and enrolling in post-secondary education or job training.

An IDA program can be as short as six months or as long as several years from beginning to end. The IDA savings and the matching funds are spent directly on the savings goal. Some participants choose to use their funds toward one large savings goal, such as buying a home, while others make withdrawals for a number of smaller, related goals, such as a computer, textbooks, and college tuition.

The "match" in matched savings programs comes from the Federal Assets for Independence Program and from the private sector. Each dollar of Federal funds must be matched with private funds in the same amount.

Montana's IDA program sponsors are supporting a HB 595 to create an IDA matched savings tax credit donation, where the donor would receive a 40% tax credit for this donation to a IDA program sponsors. The total credit available is capped at \$400,000 for the biennium.

A tax credit for matched savings programs is a good investment for the state of Montana: Every dollar of tax credits yields \$5 in investment in a home, in college or in a small business. Matched savings accounts are job creators and small business builders.

A tax credit for matched savings programs helps low income Montana families pull themselves out of poverty by their bootstraps. They develop the savings habit, create a banking relationship, gain financial management skills, and get additional training about their specific IDA goal.